

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 4/14/2015	(3) CONTACT/PHONE Suzan Ehdaie, Planner II/781-4974	
(4) SUBJECT Hearing to consider a request to approve (1) a resolution approving and authorizing submittal of the 2015-2019 Consolidated Plan and the 2015 Action Plan; (2) the 2015 projects for funding under the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), and the Emergency Solutions Grant (ESG) Programs by the Homeless Services Oversight Council; and (3) allocation of Fiscal Year 2015-16 General Fund support for the identified homeless services projects, subject to the Fiscal Year 2015-16 budget approval and adoption. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Adopt the attached resolution approving and authorizing submittal of the 2015-2019 Consolidated Plan and the 2015 Action Plan to the U.S. Department of Housing and Urban Development (Attachment 1) 2. Approve the 2015 projects for funding under the CDBG, HOME and ESG programs as recommended by the Homeless Services Oversight Council (Attachment 2) 3. Approve allocations of Fiscal Year 2015-16 General Fund support for the identified homeless services projects, subject to Fiscal Year 2015-16 budget approval and adoption (Attachment 2) 			
(6) FUNDING SOURCE(S) CDBG, HOME, ESG, and GFS	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT \$2,607,944	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input checked="" type="checkbox"/> Hearing (Time Est. <u>45</u>) <input type="checkbox"/> Board Business (Time Est. <u> </u>)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: <u>10/21/2014</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Lisa Howe			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Suzan Ehdaie, Planner/781-4974

DATE: 4/14/2015

SUBJECT: Hearing to consider a request to approve (1) a resolution approving and authorizing submittal of the 2015-2019 Consolidated Plan and the 2015 Action Plan; (2) the 2015 projects for funding under the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), and the Emergency Solutions Grant (ESG) Programs by the Homeless Services Oversight Council; and (3) allocation of Fiscal Year 2015-16 General Fund support for the identified homeless services projects, subject to the Fiscal Year 2015-16 budget approval and adoption. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Adopt the attached resolution approving and authorizing submittal of the 2015-2019 Consolidated Plan and the 2015 Action Plan to the U.S. Department of Housing and Urban Development (Attachment 1)
2. Approve the 2015 projects for funding under the CDBG, HOME and ESG programs as recommended by the Homeless Services Oversight Council (Attachment 2)
3. Approve allocations of Fiscal Year 2015-16 General Fund support for the identified homeless services projects, subject to Fiscal Year 2015-16 budget approval and adoption (Attachment 2)

DISCUSSION

The County of San Luis Obispo administers the following grant programs under the United States Department of Housing and Urban Development (HUD):

- **Community Development Block Grant (CDBG)** - The CDBG program provides local governments with funds to address a variety of community development needs as long as the following requirements are met: 1) benefit low and moderate income persons, 2) aid in the prevention of slums or blight, or 3) meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.
- **HOME Investment Partnerships Program (HOME)** - HOME provides formula grants that communities often use in partnership with local non-profit organizations to fund affordable housing related activities. This includes developing, purchasing, or rehabilitating affordable housing for rent or homeownership, and providing direct down payment or rental assistance to low-income people.
- **Emergency Solutions Grant Program (ESG)** - The ESG program provides funding to assist persons who are homeless or at imminent risk of becoming homeless. Eligible uses of ESG funding include outreach to homeless persons, emergency shelter services, homelessness prevention and rapid re-housing, data collection through the Homeless Management Information System (HMIS) and general administration of the ESG program.

HUD funds are administered as part of the Urban County of San Luis Obispo, which includes the County of San Luis Obispo and the following cities:

- Arroyo Grande
- Atascadero
- Paso Robles
- Pismo Beach
- Morro Bay
- San Luis Obispo

Every five years, the Urban County of San Luis Obispo must prepare and submit to HUD a five year strategic plan called the Consolidated Plan to receive future federal funds. Refer to Attachment 3 for the 2015-2019 Consolidated Plan. This report covers the following sections related to the 2015-2019 Consolidated Plan.

- 1) Five-year projection of the federal CDBG, HOME, and ESG funds (2015-2019)
- 2) HUD funding in the past five years
- 3) Priority needs
- 4) Analysis of the local housing market
- 5) Funding strategies to address community and affordable housing needs
- 6) The 2015 Action Plan
- 7) Summary of public comments
- 8) The County General Fund Support (GFS) for homeless services programs

1. Five-Year Projection of the Federal CDBG, HOME, and ESG Funds (2015-2019)

The Urban County anticipates receiving the following allocations for the next five years (2015-2019).

Table 1: Total Estimated HUD Grant Allocations from 2015 through 2019	
HUD Grant Programs	Estimated Grant Allocations
Community Development Block Grant Program (CDBG)	\$7.3 Million
HOME Investment Partnerships Program (HOME)	\$2.5 Million
Emergency Solutions Grant Program (ESG)	\$725,000
Total Estimated HUD Grant Funds	\$10.5 Million

Below are the assumptions used to estimate the above future funding allocations over the next five years.

- CDBG funding levels will decrease by an average of 6% annually
- HOME funding levels will decrease by an average of 12% annually
- A flat ESG funding level of \$145,000 annually

The purpose of the 2015-2019 Consolidated Plan is two-fold. First, HUD requires the Urban County to prepare and submit a five-year Consolidated Plan by May 15, 2015 to receive future federal HUD funds. Second, the 2015-2019 Consolidated Plan guides the Urban County to make future funding decisions on community-based projects using the established funding strategies. Those funding decisions are made annually through adoption of an Action Plan.

2. HUD Funding in the Past Five Years

Over the past five years (2010-2014), the Urban County of San Luis Obispo received a total of \$14.7 million in CDBG, HOME, and ESG funds. Below shows the 2010-2014 allocations under each HUD grant program:

1. CDBG program - \$9.1 million
2. HOME program - \$5 million
3. ESG program - \$655,000

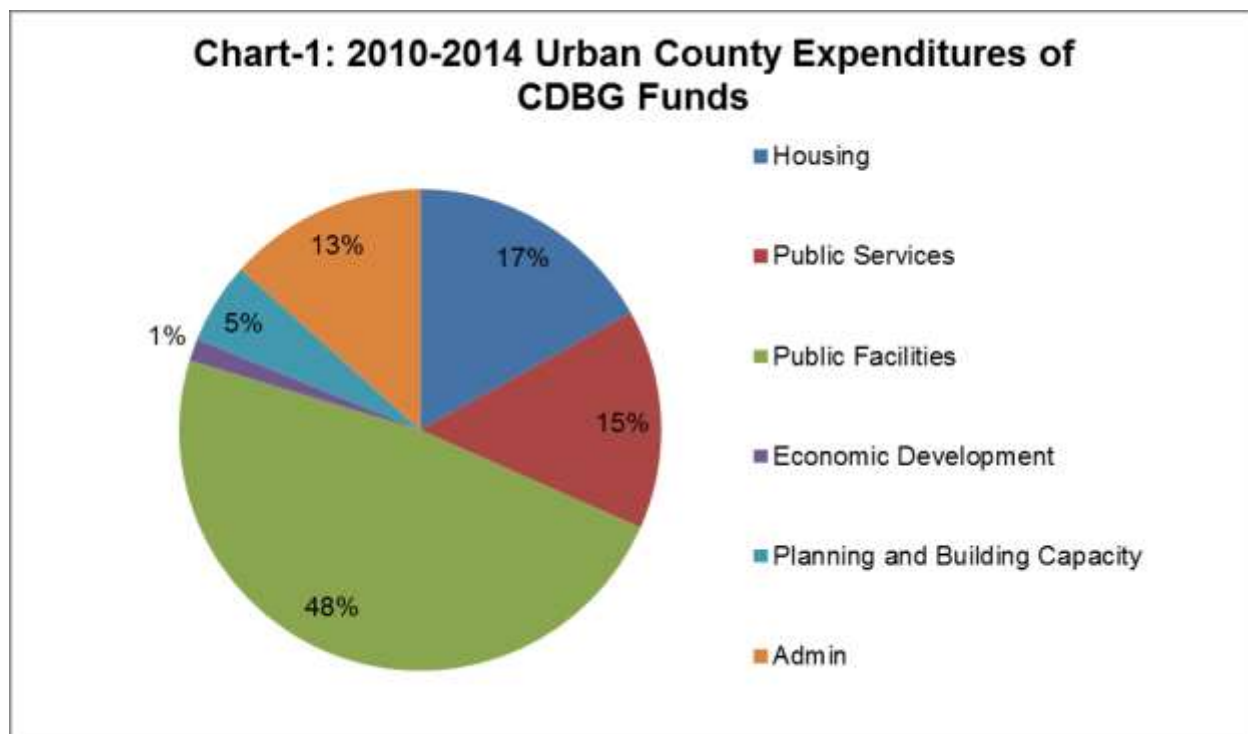
Changes in Funding Levels From 2010 to 2014

Overall, the funding levels under the CDBG, HOME, and ESG programs decreased every year primarily due to the federal sequestration cuts implemented from 2011 to 2013. The ESG funding level significantly dropped by 26% in 2013; however, it was restored by 12% in 2014. Below are the funding level trends over the past five years:

- CDBG funds are on a downward trend by an average of 6% per year.
- HOME funds fell by 12% on average per year.
- ESG funds rose by an average of 11% per year

Past Five-Year Expenditures of HUD Funds

The Urban County of San Luis Obispo allocates HUD funds to projects that directly benefit very low to moderate income households. The CDBG program can fund a wide array of community-based projects under affordable housing, public services, public facilities, and economic development categories. The HOME program funds affordable housing projects. The ESG program provides funding for homeless shelters and homeless related services. Chart-1 shows the breakdown of the expenditures for CDBG funds.



The following statistics show the distribution of HUD funds on community-based projects over the past five years.

- Roughly half of CDBG funds were allocated to public facilities projects including street improvement projects to improve mobility of disabled persons and the elderly
- Nearly 17% of CDBG funds were used for affordable housing projects
- Roughly 80% of the HOME funds were used for the construction of new affordable housing units
- About 60% of the ESG funds were allocated for the operation of the homeless shelters

3. Priority Needs

- The Urban County of San Luis Obispo has assessed priority needs by low income and special needs households. This assessment included the following processes:
 - **“Needs Assessment” survey** - 140 individuals participated in the online survey. 70% of the participants were members of the public. The remaining 30% were a combination of non-profit organizations, for-profit organizations, and local government agencies. The survey collected information on special needs groups, public facilities and infrastructure, public services, economic development, neighborhood services, and affordable housing. Refer to Attachment 5 for the “Needs Assessment” Survey.
 - **Two “Needs” public hearings** - The Urban County held two “Needs” public hearings: 1) a joint public hearing meeting with the Human Relations Committee at the City of San Luis Obispo, and 2) a Board of Supervisors public hearing meeting at the County of San Luis Obispo. The comments received during the public workshops and hearings indicated needs for affordable housing and homeless preventions services as well as health care and child care facilities.
 - **Two “Needs” public workshops** – The Urban County hosted two public workshops in September 2014, in Atascadero and Arroyo Grande to provide an opportunity for the members of the public to comment on community needs and ask questions about the grant application process.
 - **Consulted various advisory bodies and offices** – Various advisory groups and organizations were consulted. These organizations include the Homeless Services Oversight Counsel (HSOC), Commission on Aging, Supportive Housing Consortium, North County Homeless Providers, League of Women Voters of San Luis Obispo County, Housing Trust Funds, Workforce Housing Coalition, Adult Services Policy Council, Latino Outreach Council, San Luis Obispo County Office of Education, County Department of Social Services, Workforce Investment Board, and Economic Vitality Corporation.

The priority needs assessment has revealed that the County’s most vulnerable populations in need of social services and housing in San Luis Obispo County are persons with severe mental illness, the elderly, homeless persons, and victims of domestic violence. The following were the top priority needs identified through the County’s priority needs assessment:

- Affordable housing
- Homelessness prevention services
- Health care facilities

4. Analysis of the Local Housing Market

As part of the preparation of the 2015-2019 Consolidated Plan, County staff analyzed the local housing market by examining HUD data provided by the 2007-2011 American Community Survey 5-year estimates. The result of the analysis indicated the following key observations:

- **Severe housing problems.** A high percentage (70%) of very low and low income households experienced severe housing problems. The housing problems are “overcrowding” where there is more than one person per bedroom, as well as “housing cost burden” where very low and low income households paid between 30% to 50% of their income on housing costs.

- **Rising home prices.** The median home prices jumped by 12% annually while median rents increased by 6% per year. By comparison, the median income grew by 3.8% annually.
- **Poor inventory of affordable rental housing.** Data analysis showed the inventory of rental affordable housing units for very low income households is considerably small.

With a tight affordable housing market and scant future federal funds, the County will face a great challenge to meet the need for affordable housing for very low to moderate income households.

5. Funding Strategies to Address Community and Affordable Housing Needs

The funding strategies outlined below will address the priority needs for the next five years. The top priority needs include affordable rental housing for very low, low, and moderate income households as well as social services to the homeless population. The Urban County's strategy is to invest future CDBG, HOME, and ESG funds in projects with the following results:

- Production and preservation of additional affordable rental housing units to very low, low, and moderate income households.
- Homelessness prevention (including financial assistance such as security deposits and short term rental assistance) and case management services that will benefit the homeless population.

The Urban County developed specific goals and desired performance measures (outcomes) for federal funds under the affordable housing, homeless, public services, public facilities, and economic development strategies. It is important to note that the success of the following strategies and outcomes depends on the future grant applications solicited for the HUD federal funds.

Strategic Directions:

- Support affordable housing projects that provide wide range of rental housing types for low and very low income households.
- Support programs and services targeting homelessness and homelessness prevention.
- Build needed community infrastructure in low income neighborhoods to improve quality of living.
- Promote economic development by financially supporting training and technical assistance to small business owners.

6. The 2015 Action Plan

The five-year Consolidated Plan guides the formation of annual Action Plans. The 2015 Action Plan is the first Action Plan of the 2015-2019 Consolidated Plan and includes a list of specific projects with corresponding funding allocations. Refer to Attachment 4 for the 2015 Action Plan. The projects recommended for funding will help address community needs identified in the 2015-2019 Consolidated Plan. Refer to Attachment 2 to view a list of specific projects selected for HUD funds.

Per the Board-approved Community Participation Plan, the County is the lead agency in preparing the 2015 Action Plan for the Urban County consortium. The Annual Plan preparation process consists of:

- **Outreach.** Conducting two sets of public workshops and public hearings as well as a "needs assessment" survey.
- **Technical assistance.** Providing technical assistance to the public, applicants and participating jurisdictions.
- **Request for Proposals (RFP).** Soliciting request for proposals, reviewing and ranking of grant applications, and publishing the draft plan for a 30-day public review.

County staff recommended projects to receive for 2015 HUD grant funds based on the following three guidelines. Additionally, staff considered HUD's direction to make larger awards to fewer projects that result in greater benefits to the community. The HSOC advisory body also recommended homeless services program for funding under the CDBG and ESG programs.

1. The project addresses a high priority need
2. The project meets the Board-approved seven criteria (See Attachment 6 for the Rating Criteria)
3. The project fully expended prior year federal funds

The purpose of today's hearing is to consider public input and to approve funding for projects under the CDBG, HOME, and ESG programs. Furthermore, staff requests that the Board approve Fiscal Year 2015-16 General Fund support funding allocations for homeless services programs subject to Fiscal Year 2015-2016 budget approval in June 2015. All public comments received through today's hearing will be summarized in an attachment to the plan.

Table 2: 2015 HUD Grant Allocations	
HUD Grant Programs	2015 Grant Allocations
Community Development Block Grant Program (CDBG)	\$1,645,012
HOME Investment Partnerships Program (HOME)	\$637,847
Emergency Solutions Grant Program (ESG)	\$145,085
Total HUD Grant Funds	\$2,427,944

CDBG Funds

The CDBG grant is distributed among the six cities and the County based on population size, poverty rate, and overcrowded housing. Table 3 shows the CDBG allocations for all of the participating jurisdictions. According to the requirements of the CDBG program, a jurisdiction can use up to 20% of its CDBG allocation to administer the CDBG program. This means that each participating City and the County will spend 20% of their share of CDBG allocations for administration. In addition to the 20% administration rule, the County will retain a portion of the CDBG funds that each City uses for administration pursuant to the cooperative agreement between the County and the participating cities.

Table 3: Total 2015 CDBG funds by Participating Jurisdictions	
Jurisdiction	2015 CDBG Allocations
Arroyo Grande	\$64,374
Atascadero	\$134,089
Morro Bay	\$62,992
Paso Robles	\$166,575
Pismo Beach	\$30,105
San Luis Obispo	\$405,515
Unincorporated County	\$781,362
Total 2015 CDBG Funds	\$1,645,012

The County received a total of 13 applications under the CDBG program. Staff is recommending 6 of the 13 applications

for funding. These applications include one affordable housing project, two public services projects related to homeless services, and three public facilities projects. Each application was reviewed using the above mentioned guidelines. The HSOC advisory body reviewed the County CDBG homeless shelter project applications and made a funding recommendation for these public services projects. The recommended projects not only meet a strong community need, but also are considered high priority projects based on the 2015-2019 Consolidated Plan.

HOME Funds

The County received a total of 4 grant applications under the HOME program including three affordable housing project applications and one tenant-based rental assistance (TBRA) program application. County staff recommends two out of the three affordable housing project applications to be funded with HOME funds. Both affordable housing projects combined will provide 59 affordable housing units for very low to moderate income households. While TBRA is an important resource in housing individuals, there are enough funds remaining from prior year allocations to serve program participants in FY 2015-2016. See Attachment 2 for the affordable housing projects recommended for the 2015 HOME funds.

ESG funds

The County received a total of 3 grant applications under the 2015 ESG program including:

- The Maxine Lewis Memorial Shelter Program
- The Prado Day Center Program
- The LINK's rapid re-housing and homelessness prevention program

The HSOC advisory body reviewed the ESG applications and recommended all of the three projects to be funded. View Attachment 2 for a detailed list of projects recommended for ESG funds.

7. Summary of Public Comments

County staff received comments from the members of the public and various advisory groups including the HSOC advisory body during the "needs" workshops and the 30-day public review of the 2015-2019 Consolidated Plan and the 2015 Action Plan. The comments received during public workshops and hearings indicated support for the following programs:

1. Emergency and transitional shelter and housing, homelessness prevention and services
2. Development and preservation of affordable housing for low and very-low income persons
3. Services for seniors and people with disabilities
4. Supportive services for youth at risk
5. Continued support for the Tenant-Based Rental Assistance (TBRA) program
6. The San Miguel San Lawrence Terrace Well project
7. ADA improvements at the Dana Adobe Nipomo site in Nipomo

Additionally, HSOC provided the following comments on the strategies and priorities of the 2015-2019 Consolidated Plan at its March 18, 2015 meeting (refer to Attachment 7 for the HSOC staff report):

1. Move \$2 million in CDBG funds from "Public Facility" projects (Goal #5) to "the Creation of Affordable Housing" projects (Goal #1) described in the Strategic Plan of the 2015-2019 Consolidated Plan because affordable housing is a high priority need for the community.
2. A higher percentage of affordable housing units built with CDBG and HOME funds should be designated for households with incomes less than 30% of Area Median Income.

Staff supports HSOC's recommendation to invest additional CDBG funds on affordable housing projects leading to the creation of new affordable housing units. However, staff recommends only \$500,000 in CDBG funds to be shifted to "the Creation of Affordable Housing" projects for the following reasons:

1. The projected CDBG funding for “Housing” and “Public Facilities” categories that the County could receive over the next five years is \$1.8 million. This projected amount is considerably less to fulfill HSOC’s recommendation.
2. It is uncertain if there will be future, shovel-ready affordable housing projects that could spend CDBG funds quickly and produce affordable units within a set timeline.

8. The County General Fund Support (GFS) for Homeless Services Programs

Historically, the County has allocated \$180,000 in General Fund support to homeless services providers that operate emergency shelter programs. Annual allocations are determined through a competitive process. For Fiscal Year 2015-16, the County received eight GFS applications. Seven out of the eight applications have historically received County GFS (See Attachment 2), and one of the applications was for a program not previously funded with GFS for North County Connections’ (NCC) program in Atascadero.

After receiving applications for the County’s Fiscal Year 2015-2016 GFS as well as applications for CDBG and ESG funds for homeless services programs, a three person ad-hoc subcommittee of the Homeless Services Oversight Council (HSOC) met to discuss the applications and recommend funding allocations to the full HSOC. The subcommittee was composed of three HSOC members including a city representative, a County representative, and an interested community member. The full HSOC advisory body concurred with the subcommittee’s recommendation at its January 21, 2015 meeting. The HSOC recommendation for allocation of 2015 County General Fund support is shown in Attachment 2. The recommended General Fund support allocations are subject to the County FY 2015-2016 budget approval in June. The HSOC recommendation also included authorization for Planning staff to adjust the allocations proportionately after the final HUD grant allocations and city CDBG allocations were released in February and March to ensure that all emergency shelter programs received the same overall decrease in funding compared to FY 2014-15 when considering multiple sources (i.e. ESG, CDBG, and General Fund support).

In addition to the recommendations made by the HSOC, the HSOC also supported the HSOC chair’s request to seek additional one-time Fiscal Year 2015-16 GFS funds of up to \$20,000 for the North County Connection homeless services program. Should the Board elect to allocate up to \$20,000 of additional Fiscal 2015-16 GFS to the North County Connection, it may do so at today’s hearing or during the budget hearings in June.

OTHER AGENCY INVOLVEMENT/IMPACT

County staff consulted with the participating cities, HSOC, Department of Social Services, Public Works, and non-profit agencies to identify needs and evaluate potential projects. Staff also provided technical assistance to the cities to facilitate their decision on the grant application process. County Counsel reviewed and approved the attached resolution as to form and legal effect.

FINANCIAL CONSIDERATIONS

As previously reported to the Board of Supervisors, funding levels for HUD grants have declined over the past few years, while the administrative requirements for these grants have expanded.

The total 2015 CDBG, HOME and ESG funds is \$2,427,944, of which \$328,739 is used for County administrative purposes. This provides funding to cover approximately 74% of the \$441,403 in program cost for administering the grant programs, leaving an estimated administrative shortfall of \$112,934.

The total General Fund support allocation is \$180,000 subject to the budget approvals in June, 2015. If the Board elects to earmark \$20,000 of additional one time GFS funds for the North County Connection program, the GFS amount will increase accordingly.

RESULTS

The purpose of this hearing is to secure and allocate HUD grant funds that will be invested in the community-based and affordable housing projects benefiting low income households and communities over the next five years. The HUD funded community-based projects will be in keeping with the County's communitywide result, that is to strive to keep our economy strong and viable and assure that all share in this economic prosperity. Over the past five years, the County used HUD grant funds to help finance several affordable housing projects that resulted in the construction of a total of 250 affordable housing units.

ATTACHMENTS

- Attachment 1: Resolution approving and authorizing submittal of the 2015-2019 Consolidated Plan and the 2015 Action Plan
- Attachment 2: The 2015 Action Plan Allocations
- Attachment 3: The Consolidated Plan
- Attachment 4: The 2015 Action Plan
- Attachment 5: The "Needs Assessment" Survey
- Attachment 6: Rating Criteria
- Attachment 7: HSOC Staff Report